

March 13, 2008

To: Jim Zerio, Rich Krolak

From: Kirby Bosley

Subject: **3-Year Business Plan Review**

Jim and Rich, this is to provide you with some comments on the revised Three-Year Business Plan, focusing on the health section. The first section is to point out some tactical and structural suggestions. The second section simply raises a few questions about items we would like to see a 3-year plan address – maybe this could be discussed at the July offsite.

Tactical/Structural Comments

- From the title, this appears to be the 3-year Plan for fiscal year beginning July 1, 2008 and ending June 30, 2011. Is it intended that “Completed” objectives drop off, and Partially Completed objectives are reworked with new timelines? We’re uncertain of how these suggested changes will be incorporated into a new 3-year plan.
- New Objective 1.3 recommends developing a strategy to achieve universal electronic data exchange within three years. Funding will be a critical issue. The timing is very aggressive. Should the objective further and specifically address assessing cost and sources of financing, and reconsider the timing?
- New Objective 1.4 might specifically state that the HVI criteria will be used for identifying investment opportunities. Within this 3-year context, should there also be an objective that addresses a process for allocating investments?
- Objective 1.5 could be more specific.
- Objective 4.2 needs a bit more clarity. What problem is this objective trying to solve? What gains to CalPERS and its beneficiaries would result from meeting this objective? Maybe this should be narrowed if it is intended to address union negotiations, for example.
- Introduction to Section X – it might make sense to explicitly point out that, to some extent, the market will determine affordability of the health programs, since they are offered in a competitive marketplace (the inference is there, but this is not spelled out).
- Objective 10.3 may be challenging, unless CalPERS’ costs are adjusted for demographics and unless California-based plans are used as comparators. In the latter case, are there any “comparable large health care purchasers”?

- We understand why 10.4 and 10.5 were split into two separate objectives, but it's unclear why there would be two different deadlines for completion.
- If CalPERS is seriously exploring a single third-party administrator (STPA) approach, should there be a specific Objective in Section X?
- If CalPERS is not exploring an STPA approach, or even if it is, should there be a separate Objective on evaluating and implementing best-in-class programs for health & disease management in Section X?
- Section XI – there are a number of somewhat vague terms in these objectives, such as “successfully self-manage diseases” and “making a healthy lifestyle change.” All of these bullets could be made more specific in terms of defining the objective and addressing how it will be measured. Also, under objective 11.5, while we applaud the objective, we are not clear on whether CalPERS can in fact influence the outcome.
- Revise Objective 11.4 to read “By June 30, 2009, develop a health management incentive strategy and implement an incentive program to encourage members to make healthier lifestyle choices.” Removal of reference to the health plans will give CalPERS additional flexibility to implement incentives with other vendor partners (such as a carve out disease management vendor).
- Objective 12.2 – the term “purchaser covered lives” needs to be defined.
- Should there be an Objective to develop criteria and implementation strategy for identifying and channeling members to efficient hospitals based on cost and quality?
- Add to Section XII: “By December 31, 2008, identify strategies and tools to promote price transparency for members at time of care.”

A Few Questions

- It's implicit in some of the items, but maybe it should be explicit that CalPERS has an obligation and a role in improving the state of health care services (quality, efficiency) provided to Californians. Do we believe this?
- It may be in the plan, but we didn't see recommendations regarding a comprehensive constituent outreach and health education strategy, acknowledging that members, employers, and other parties are all constituents. Maybe this belongs as Objective number 1.6. As an aside, it appears that this responsibility is tackled by various parties within the CalPERS structure, so it may be worth stressing the need for an “integrated” strategy.

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- We think it's important for CalPERS to define its mission as a provider of health care benefits, its future structure best suited to deliver on the mission, and its priorities. These are very tough questions that bear reviewing but we believe will help set the objectives in the three-year plan.

Thanks for having us review this draft. We'd be happy to discuss this memo with you.

Cc: Caty Furco
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